

## Administration of the Small Business Health Options Program

### Summary

The California Health Benefit Exchange is considering its options with regard to administration of the Small Business Health Options Program (SHOP) including whether to develop an administrative infrastructure within the Exchange or contract for administrative services. While several business functions such as governance and policy management are considered “core” and will be maintained internally, the Exchange staff recommends that SHOP administrative services be contracted in the initial years of the program. Since the August Board meeting, the Exchange staff has solicited input from stakeholders regarding considerations for contracting externally for administration of the SHOP which affirmed this recommendation.

### Rationale to Consider Contracting for SHOP Operations

The California Health Benefit Exchange is working aggressively to meet all Affordable Care Act requirements including: design and development of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS); development of a solicitation for qualified health plans; establishment of a statewide outreach and marketing campaign; and implementation of a comprehensive consumer assistance strategy including design of a service center and in-person assistance program. These efforts must be closely coordinated with other public health care programs in order to maximize enrollment and ensure that individuals can easily transition between coverage programs as their income and life circumstances change. The Exchange is partnering in these efforts with the Department of Health Care Services and the Managed Risk Medical Insurance Board to facilitate enrollment for the almost 3 million Californians that are expected to enroll in the Exchange and Medi-Cal in 2014 alone.

In order to begin operations, the federal government must certify that the Exchange will be capable of performing all minimum functions in time for open enrollment in October 2013. The complexity of the Individual Exchange and the interrelationship with other state health programs require the Exchange to devote significant staff and consultant support to policy and systems development that will assure the success of this effort. The Exchange is in the process of developing the internal resources which will be critical for successfully undertaking the activities needed to support full development and launch of the SHOP Exchange. Staff recommends the Exchange implement a contracting strategy for the initial administration of the SHOP.

The rationale for contracting with a vendor for the establishment and initial administration of the SHOP include:

- The time required to build an internal operational capability for SHOP is significant, and the time may not be sufficient to be in a position to implement small business open enrollment by 2013
- External vendors have existing functionality that serves the small business market today that could be easily adapted to the Exchange functions

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- There are other competing, high priorities with tight timelines facing the Exchange Staff (i.e. building and operationalizing the Individual exchange)
- Variations in enrollment volume (higher volume at the end of the month and immediate enrollment growth during open enrollment) are expected in the near term. These factors will require flexibility in service center operations – and possibly other areas - which could be challenging to manage internally

### **SHOP Business Functions to Retain vs. Contract for Service**

Staff recommends pursuing a transition strategy in which the Exchange will contract for establishment and operational services for SHOP in the near term, and then evaluate bringing operations of the SHOP in-house after the SHOP exchange is operationalized (e.g., after 2015). This transitional approach will allow the Exchange to focus on standing up the individual Exchange in the near term while taking advantage of outside expertise to ensure that small businesses and their employees receive best-in-class service.

It is important to note that while the Staff recommends contracting for SHOP administrative services, this excludes several SHOP business functions that are considered “core” operational and policy functions. “Core” functions that will be internal to the Exchange include:

- Governance, policy development, and quality assurance: the Exchange will retain ultimate governance and policy-making authority and ensure that contractors are meeting contractual quality, service and related standards.
- Health plan management: the Exchange will retain control over health plan selection, certification and ongoing management of plan relationships for the SHOP.
- Marketing: the Exchange will lead SHOP marketing efforts and will maintain direction of marketing campaigns and outreach.
- Legal: the Exchange will manage legal issues internally.

The Exchange recommends contracting for the following services:

- Information technology services
- Eligibility and Enrollment
- Agent management
- Sales
- Customer service
- Grievances and appeals
- Financial Management

### **Stakeholder Input**

The Exchange solicited written comment, engaged in multiple discussions with interested parties and held a webinar on September 5, 2012 which has a dozen active participants

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(including health plans, small business organizations, agents and consumer groups). The board options brief from August 18th called out three particular questions:

1. Is the list of functions that may be contracted out appropriate? In particular, how should the Exchange best use marketing expertise and agent relationships that may reside with potential vendors?
2. How can the Exchange best assure coordination and integration between it and a contracted vendor to assure maximum enrollment of individuals who may be family-members of covered small business employees who are eligible for Exchange tax-credit support or Medi-Cal?
3. Are there particular criteria, qualifications or issues regarding potential vendors that the Exchange should consider?

Stakeholders are supportive of the proposed functions that should be contracted externally. Stakeholders also support a transition strategy whereby the Exchange evaluates bringing the operations of the Exchange in house after the SHOP is. Stakeholders during the Webinar or in written comments identified several areas that they recommend be addressed in SHOP Operations solicitation or subsequent contract. Staff agree with these recommendations and propose to incorporate them in the RFP or terms with vendor. These include:

- a) The Exchange should clearly delineate separate options for vendors bidding to provide operational support for the SHOP only, or operational support plus the enabling technology (i.e. the Exchange IT platform)
- b) The Exchange should clarify the relationship between Sales and Marketing and the expectations on the vendor to support SHOP promotion. If the Exchange seeks to retain Marketing but contract for Sales support, the Exchange needs to define what business operations in each area are retained vs. contracted for service (since Sales and Marketing are synergistic, i.e. Marketing tactics support Sales activities)
- c) The Exchange staff should define Performance metrics and/or service-level agreements to ensure that service levels are maintained at a high-level, seamless level of service.

## Recommendation

The Exchange Staff recommends issuing a solicitation for the Administration of SHOP Operations. This solicitation will be published by the end of September 2012 with the intent to contract with the vendor by the end of 2012. The solicitation would be separated into two options:

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- **Option A:** Vendor uses the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) technology platform and provides operational staff to support Eligibility and Enrollment, Financial Management, Sales, Agent Management, Customer Service, and Appeals and Grievances.
- **Option B:** Vendor provides both operational staff to support the services in Option A, plus the technology (“Vendor IT Solution”) to support those functions. The Exchange will develop integration requirements between CalHEERS and the Vendor IT Solution at a future date.

## References

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